



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Central bank money for the digital era

Our strategy in response to  
digitalisation and fragmentation

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ABI Executive Committee meeting

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Member of the Executive Board of the ECB



# Current challenges

## DIGITALISATION

- Digitalisation is reducing the use of cash and increasing our dependency on non-European providers for digital retail payments
- Tokenisation and distributed ledger technology (DLT) could transform financial transactions

## FRAGMENTATION

- No European retail payment solution currently allows people to pay digitally across the euro area
- New settlement assets could reintroduce fragmentation and credit risk
- Geopolitical tensions increase the risk of fragmentation in the global financial system

The Eurosystem aims to **modernise central bank money** in response to the transformation taking place in payments and finance.

# MODERNISING CENTRAL BANK MONEY

Our main areas of focus



Digital euro



New technologies for  
settlement of wholesale  
transactions



Cross-border interlinking

# THE DIGITAL EURO

Complementing physical cash with its digital equivalent

The digital euro would **empower Europe** through:



## EVERYDAY CONVENIENCE

Available to everyone and  
accepted throughout the euro  
area for any digital payment



## INNOVATION AND PAN- EUROPEAN REACH

Open standards and  
acceptance network, providing  
a platform for innovation and  
pan-European reach



## GREATER STRATEGIC AUTONOMY AND RESILIENCE

European governance,  
European infrastructure and  
offline functionality

**We are laying the technical foundations for the potential issuance of a digital euro.**

# NEW TECHNOLOGIES FOR SETTLEMENT OF WHOLESALE TRANSACTIONS

There has been a significant increase in the adoption of **distributed ledger technology (DLT)** and **tokenisation** (the digital representation of assets on programmable platforms). DLT could:

## ENHANCE EFFICIENCY

- Trading, settlement, and custody on the **same platform**
- **24/7/365 operating hours**
- Use of **smart contracts** to automate and speed up processes between issuers and investors

## LOWER BARRIERS TO ENTRY

A shared DLT platform could **enable small and medium-sized enterprises to access capital markets**



## EUROSYSTEM EXPLORATORY WORK

- To address market demand, the Eurosystem has conducted **exploratory work** to test DLT for the settlement of wholesale transactions in central bank money
- **There is an opportunity to create an integrated European market for digital assets (digital capital markets union) from the outset.**



Report with key findings  
from the Eurosystem's  
exploratory work

# PONTES AND APPIA PROJECTS

Update on our work

## PONTES



Offering a Eurosystem DLT-based solution, linking DLT platforms and TARGET Services to settle transactions in central bank money

## APPIA



Focusing on a long-term approach for an innovative and integrated payments and securities ecosystem in Europe that also facilitates safe and efficient operations at the global level



Increase safety and efficiency across the financial ecosystem



Market integration and further competition



International role of the euro and connection to the rest of the world

**The Eurosystem is committed to supporting innovation without compromising on safety and efficiency in financial market infrastructures.**

# CROSS-BORDER INTERLINKING

Our initiatives in line with G20 objectives



## MULTI- AND CROSS-CURRENCY SETTLEMENT

Leveraging the multi-currency feature of the Eurosystem's instant payments settlement service (TIPS) to settle funds end to end instantly in central bank money, in TIPS hosted currencies.



## GLOBAL CROSS-BORDER PAYMENTS

The ECB is committed to improving cross-border payments globally by:

- implementing the cross-currency settlement service for cross-border payments;
- interlinking with fast payments systems outside Europe through multilateral networks.





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# Thank you